



**BILLING CODE: 3410-30-P**

**DEPARTMENT OF AGRICULTURE**

**Food and Nutrition Service**

**National School Lunch, Special Milk, and School Breakfast Programs, National Average  
Payments/Maximum Reimbursement Rates**

**AGENCY:** Food and Nutrition Service, USDA

**ACTION:** Notice

**SUMMARY:** This Notice announces the annual adjustments to the “national average payments,” the amount of money the Federal Government provides States for lunches, afterschool snacks and breakfasts served to children participating in the National School Lunch and School Breakfast Programs; to the “maximum reimbursement rates,” the maximum per lunch rate from Federal funds that a State can provide a school food authority for lunches served to children participating in the National School Lunch Program; and to the rate of reimbursement for a half-pint of milk served to non-needy children in a school or institution which participates in the Special Milk Program for Children. The payments and rates are prescribed on an annual basis each July. The annual payments and rates adjustments for the National School Lunch and School Breakfast Programs reflect changes in the Food Away From Home series of the Consumer Price Index for All Urban Consumers. Food and Nutrition Service has approved a 17-percent increase in school meal reimbursement rates for Puerto Rico to reflect their higher cost of providing school meals. The rate adjustment will take effect beginning July 1, 2016, for school year 2016-2017. This increase is based on data indicating that the cost of producing

school lunches, breakfasts, and snacks are higher than those in the continental United States, as well as other factors impacting Puerto Rico's school meal program. The annual rate adjustment for the Special Milk Program reflects changes in the Producer Price Index for Fluid Milk Products.

**DATES:** These rates are effective from July 1, 2016 through June 30, 2017

**FOR FURTHER INFORMATION CONTACT:** Jessica Saracino, Branch Chief, Program Monitoring and Operational Support Division, Child Nutrition Programs, Food and Nutrition Service, U.S. Department of Agriculture, 3101 Park Center Drive, Room 640, Alexandria, Virginia 22302-1594; phone 703-457-7743

## **SUPPLEMENTARY INFORMATION:**

### **Background**

Special Milk Program for Children - Pursuant to section 3 of the Child Nutrition Act of 1966, as amended (42 U.S.C. 1772), the Department announces the rate of reimbursement for a half-pint of milk served to non-needy children in a school or institution that participates in the Special Milk Program for Children. This rate is adjusted annually to reflect changes in the Producer Price Index for Fluid Milk Products, published by the Bureau of Labor Statistics of the Department of Labor.

For the period July 1, 2016 through June 30, 2017, the rate of reimbursement for a half-pint of milk served to a non-needy child in a school or institution which participates in the Special Milk

Program is 19.75 cents. This reflects a decrease of .25 cents from the School Year (SY) 2015-16 level, based on the 1.32 percent decrease in the Producer Price Index for Fluid Milk Products from May 2015 to May 2016 (from a level of 219.0 in May 2015, as previously published in the Federal Register, to 216.1 in May 2016).

As a reminder, schools or institutions with pricing programs that elect to serve milk free to eligible children continue to receive the average cost of a half-pint of milk (the total cost of all milk purchased during the claim period divided by the total number of purchased half-pints) for each half-pint served to an eligible child.

National School Lunch and School Breakfast Programs - Pursuant to sections 11 and 17A of the Richard B. Russell National School Lunch Act, (42 U.S.C. 1759a and 1766a), and section 4 of the Child Nutrition Act of 1966 (42 U.S.C. 1773), the Department annually announces the adjustments to the National Average Payment Factors and to the maximum Federal reimbursement rates for lunches and afterschool snacks served to children participating in the National School Lunch Program and breakfasts served to children participating in the School Breakfast Program. Adjustments are prescribed each July 1, based on changes in the Food Away From Home series of the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the Department of Labor. The changes in the national average payment rates for schools and residential child care institutions for the period July 1, 2016 through June 30, 2017 reflect a 2.64 percent increase in the Consumer Price Index for All Urban Consumers during the 12-month period May 2015 to May 2016 (from a level of 255.322 in May 2015, as previously published in the Federal Register, to 262.074 in May 2016). Adjustments to

the national average payment rates for all lunches served under the National School Lunch Program, breakfasts served under the School Breakfast Program, and afterschool snacks served under the National School Lunch Program are rounded down to the nearest whole cent.

Lunch Payment Levels - Section 4 of the Richard B. Russell National School Lunch Act (42 U.S.C. 1753) provides general cash for food assistance payments to States to assist schools in purchasing food. The Richard B. Russell National School Lunch Act provides two different section 4 payment levels for lunches served under the National School Lunch Program. The lower payment level applies to lunches served by school food authorities in which less than 60 percent of the lunches served in the school lunch program during the second preceding school year were served free or at a reduced price. The higher payment level applies to lunches served by school food authorities in which 60 percent or more of the lunches served during the second preceding school year were served free or at a reduced price.

To supplement these section 4 payments, section 11 of the Richard B. Russell National School Lunch Act (42 U.S.C. 1759a) provides special cash assistance payments to aid schools in providing free and reduced price lunches. The section 11 National Average Payment Factor for each reduced price lunch served is set at 40 cents less than the factor for each free lunch.

As authorized under sections 8 and 11 of the Richard B. Russell National School Lunch Act (42 U.S.C. 1757 and 1759a), maximum reimbursement rates for each type of lunch are prescribed by the Department in this Notice. These maximum rates are to ensure equitable disbursement of Federal funds to school food authorities.

Section 201 of the Healthy, Hunger-Free Kids Act of 2010 – Section 201 of the Healthy, Hunger-Free Kids Act of 2010 made significant changes to the Richard B. Russell National School Lunch Act. On January 3, 2014, the final rule entitled, “Certification of Compliance With Meal Requirements for the National School Lunch Program Under the Healthy, Hunger-Free Kids Act of 2010” (79 FR 325), was published and provides eligible school food authorities with performance-based cash reimbursement in addition to the general and special cash assistance described above. The final rule requires that school food authorities be certified by the State agency as being in compliance with the updated meal pattern and nutrition standard requirements set forth in amendments to 7 CFR parts 210 and 220 on January 26, 2012, in the final rule entitled “Nutrition Standards in the National School Lunch and School Breakfast Programs” (77 FR 4088). Certified school food authorities are eligible to receive performance-based cash assistance for each reimbursable lunch served (an additional six cents per lunch available beginning October 1, 2012, and adjusted annually thereafter).

Afterschool Snack Payments in Afterschool Care Programs – Section 17A of the Richard B. Russell National School Lunch Act (42 U.S.C. 1766a) establishes National Average Payments for free, reduced price and paid afterschool snacks as part of the National School Lunch Program.

Breakfast Payment Factors - Section 4 of the Child Nutrition Act of 1966 (42 U.S.C. 1773) establishes National Average Payment Factors for free, reduced price and paid breakfasts served under the School Breakfast Program and additional payments for free and reduced price

breakfasts served in schools determined to be in “severe need” because they serve a high percentage of needy children.

### **Revised Payments**

The following specific section 4, section 11 and section 17A National Average Payment Factors and maximum reimbursement rates for lunch, the afterschool snack rates, and the breakfast rates are in effect from July 1, 2016 through June 30, 2017. Beginning July 1, 2016, Puerto Rico will receive a 17-percent increase adjustment to these rates due to the higher cost of producing a meal in Puerto Rico. In addition, the average payments and maximum reimbursements for Alaska and Hawaii are higher due to the higher cost of living in these States. The District of Columbia, Virgin Islands, and Guam use the figures specified for the contiguous States.

### **National School Lunch Program Payments**

Section 4 National Average Payment Factors - In school food authorities which served less than 60 percent free and reduced price lunches in School Year (SY) 2014-2015, the payments for meals served are: Contiguous States - paid rate – 30 cents (1 cent increase from the SY 2015-2016 level), free and reduced price rate – 30 cents (1 cent increase), maximum rate – 38 cents (1 cent increase); Alaska - paid rate – 49 cents (1 cent increase), free and reduced price rate – 49 cents (1 cent increase), maximum rate – 60 cents (2 cent increase); Hawaii and Puerto Rico - paid rate – 35 cents (1 cent increase), free and reduced price rate – 35 cents (1 cent increase), maximum rate – 44 cents (2 cent increase).

In school food authorities which served 60 percent or more free and reduced price lunches in School Year 2014-2015, payments are: Contiguous States - paid rate – 32 cents (1 cent increase from the SY 2015-2016 level), free and reduced price rate – 32 cents (1 cent increase), maximum rate – 38 cents (1 cent increase); Alaska - paid rate – 51 cents (1 cent increase), free and reduced price rate – 51 cents (1 cents increase), maximum rate – 60 cents (2 cent increase); Hawaii and Puerto Rico - paid rate – 37 cents (1 cent increase), free and reduced price rate – 37 cents (1 cent increase), maximum rate – 44 cents (2 cent increase).

School food authorities certified to receive the performance-based cash assistance will receive an additional 6 cents (adjusted annually) added to the above amounts as part of their section 4 payments.

Section 11 National Average Payment Factors - Contiguous States - free lunch – 286 cents (8 cent increase from the SY 2015-2016 level), reduced price lunch – 246 cents (8 cent increase); Alaska - free lunch – 463 cents (12 cent increase), reduced price lunch – 423 cents (12 cent increase); Hawaii and Puerto Rico - free lunch – 334 cents (8 cent increase), reduced price lunch – 294 cents (8 cent increase).

Afterschool Snacks in Afterschool Care Programs – The payments are: Contiguous States – free snack – 86 cents (2 cent increase from the SY 2015-2016 level), reduced price snack – 43 cents (1 cent increase), paid snack – 07 cents (no change); Alaska - free snack – 140 cents (3 cent increase), reduced price snack – 70 cents (2 cent increase), paid snack – 12 cents (no change);

Hawaii and Puerto Rico - free snack – 101 cents (2 cent increase), reduced price snack – 50 cents (1 cent increase), paid snack – 09 cents (no change).

### **School Breakfast Program Payments**

For schools “not in severe need” the payments are: Contiguous States - free breakfast – 171 cents (5 cent increase from the SY 2015-2016 level), reduced price breakfast – 141 cents (5 cent increase), paid breakfast – 29 cents (no change); Alaska - free breakfast – 273 cents (7 cent increase), reduced price breakfast – 243 cents (7 cent increase), paid breakfast – 44 cents (1 cent increase); Hawaii and Puerto Rico - free breakfast – 199 cents (5 cent increase), reduced price breakfast – 169 cents (5 cent increase), paid breakfast – 33 cents (no change).

For schools in “severe need” the payments are: Contiguous States - free breakfast – 204 cents (5 cent increase from the SY 2015-2016 level), reduced price breakfast – 174 cents (5 cent increase), paid breakfast – 29 cents (no change); Alaska - free breakfast – 327 cents (8 cent increase), reduced price breakfast – 297 cents (8 cent increase), paid breakfast – 44 cents (1 cent increase); Hawaii and Puerto Rico - free breakfast – 238 cents (6 cent increase), reduced price breakfast – 208 cents (6 cent increase), paid breakfast – 33 cents (no change).

### **Payment Chart**

The following chart illustrates the lunch National Average Payment Factors with the sections 4 and 11 already combined to indicate the per lunch amount; the maximum lunch reimbursement rates; the reimbursement rates for afterschool snacks served in afterschool care programs; the breakfast National Average Payment Factors including “severe need” schools; and the milk



reimbursement rate. All amounts are expressed in dollars or fractions thereof. The payment factors and reimbursement rates used for the District of Columbia, Virgin Islands, and Guam are those specified for the contiguous States.

<b>SCHOOL PROGRAMS</b> <b>MEAL, SNACK AND MILK PAYMENTS TO STATES AND SCHOOL FOOD AUTHORITIES</b> <i>Expressed in Dollars or Fractions Thereof</i> <i>Effective from: July 1, 2016 - June 30, 2017</i>							
<b>NATIONAL SCHOOL LUNCH PROGRAM<sup>1</sup></b>		<b>LESS THAN 60%</b>	<b>LESS THAN 60% + 6 cents<sup>2</sup></b>	<b>60% OR MORE</b>	<b>60% or MORE + 6 cents<sup>2</sup></b>	<b>MAXIMUM RATE</b>	<b>MAXIMUM RATE + 6 cents<sup>2</sup></b>
CONTIGUOUS STATES	PAID	0.30	0.36	0.32	0.38	0.38	0.44
	REDUCED PRICE	2.76	2.82	2.78	2.84	2.93	2.99
	FREE	3.16	3.22	3.18	3.24	3.33	3.39
ALASKA	PAID	0.49	0.55	0.51	0.57	0.60	0.66
	REDUCED PRICE	4.72	4.78	4.74	4.80	4.98	5.04
	FREE	5.12	5.18	5.14	5.20	5.38	5.44
HAWAII	PAID	0.35	0.41	0.37	0.43	0.44	0.50
	REDUCED PRICE	3.29	3.35	3.31	3.37	3.49	3.55
	FREE	3.69	3.75	3.71	3.77	3.89	3.95
PUERTO RICO <sup>3</sup>	PAID	0.35	0.41	0.37	0.43	0.44	0.50
	REDUCED PRICE	3.29	3.35	3.31	3.37	3.49	3.55
	FREE	3.69	3.75	3.71	3.77	3.89	3.95
<b>SCHOOL BREAKFAST PROGRAM</b>				<b>NON-SEVERE NEED</b>		<b>SEVERE NEED</b>	
CONTIGUOUS STATES		PAID		0.29		0.29	
		REDUCED PRICE		1.41		1.74	
		FREE		1.71		2.04	
ALASKA		PAID		0.44		0.44	
		REDUCED PRICE		2.43		2.97	
		FREE		2.73		3.27	
HAWAII		PAID		0.33		0.33	
		REDUCED PRICE		1.69		2.08	
		FREE		1.99		2.38	
PUERTO RICO <sup>3</sup>		PAID		0.33		0.33	
		REDUCED PRICE		1.69		2.08	
		FREE		1.99		2.38	
<b>SPECIAL MILK PROGRAM</b>				<b>ALL MILK</b>	<b>PAID MILK</b>	<b>FREE MILK</b>	
PRICING PROGRAMS WITHOUT FREE OPTION				0.1975	N/A	N/A	
PRICING PROGRAMS WITH FREE OPTION				N/A	0.1975	Average Cost Per 1/2 Pint of Milk	
NONPRICING PROGRAMS				0.1975	N/A	N/A	

<b>AFTERSCHOOL SNACKS SERVED IN AFTERSCHOOL CARE PROGRAMS</b>		
CONTIGUOUS STATES	PAID	0.07
	REDUCED PRICE	0.43
	FREE	0.86
ALASKA	PAID	0.12
	REDUCED PRICE	0.70
	FREE	1.40
HAWAII	PAID	0.09
	REDUCED PRICE	0.50
	FREE	1.01
PUERTO RICO <sup>3</sup>	PAID	0.09
	REDUCED PRICE	0.50
	FREE	1.01

<sup>1</sup> Payment listed for Free and Reduced Price Lunches include both section 4 and section 11 funds

<sup>2</sup> Performance-based cash reimbursement (adjusted annually for inflation)

<sup>3</sup> Beginning July 1, 2016, FNS approved Puerto Rico to receive a 17-percent increase in school meal reimbursement rates

This action is not a rule as defined by the Regulatory Flexibility Act (5 U.S.C. 601-612) and thus is exempt from the provisions of that Act.

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507), no new recordkeeping or reporting requirements have been included that are subject to approval from the Office of Management and Budget.

This notice has been determined to be not significant and was reviewed by the Office of Management and Budget in conformance with Executive Order 12866.

National School Lunch, School Breakfast and Special Milk Programs are listed in the Catalog of Federal Domestic Assistance under No. 10.555, No. 10.553 and No. 10.556, respectively, and are subject to the provisions of Executive Order 12372, which requires intergovernmental consultation with State and local officials. (See 2 CFR 415.3-415.6).

AUTHORITY: Sections 4, 8, 11 and 17A of the Richard B. Russell National School Lunch Act, as amended, (42 U.S.C. 1753, 1757, 1759a, 1766a) and sections 3 and 4(b) of the Child Nutrition Act, as amended, (42 U.S.C. 1772 and 42 U.S.C. 1773(b)).

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Yvette S. Jackson  
Acting Administrator  
Food and Nutrition Service

August 2, 2016  
Date

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